

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name Zeeland Charter Township	County Ottawa
Fiscal Year End 12/31/05	Opinion Date 3/10/06	Date Audit Report Submitted to State 6/26/06	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

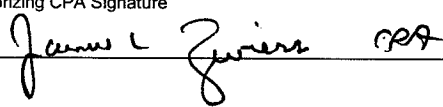
We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES ☒ NO ☐ Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☒ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☒ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☒ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Ferris, Busscher & Zwiars, P.C.		Telephone Number (616) 392-8534	
Street Address 675 E. 16th Street, Suite 100		City Holland	State MI
		Zip 49423	
Authorizing CPA Signature 	Printed Name James L. Zwiars, C.P.A., M.B.A.	License Number 1101009267	

ZEELAND CHARTER TOWNSHIP

OTTAWA COUNTY, MICHIGAN

FINANCIAL STATEMENTS

DECEMBER 31, 2005

INDEX

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	
MANAGEMENT'S DISCUSSION AND ANALYSIS	i-vii
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	1
Statement of Activities.....	2
Fund Financial Statements	
Balance Sheet – Governmental Funds	3
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	4
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds.....	5-6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	7
Statement of Fiduciary Net Assets – Agency Fund	8
Notes to Financial Statements.....	9-19
REQUIRED SUPPLEMENTARY INFORMATION	
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – General Fund.....	20-27
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Road Fund.....	28
ADDITIONAL INFORMATION	
Non-Major Governmental Funds	
Combining Balance Sheet.....	29
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	30

March 10, 2006

Township Board
Zeeland Charter Township
Ottawa County, Michigan

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying basic financial statements of Zeeland Charter Township, Ottawa County, Michigan as of and for the year ended December 31, 2005, as listed in the index. These basic financial statements are the responsibility of the management of Zeeland Charter Township, Ottawa County, Michigan. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, based on our audit, the basic financial statements referred to above present fairly, in all material respects, the financial position of Zeeland Charter Township, Ottawa County, Michigan as of December 31, 2005, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages i through vii and 20 through 28, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The combining financial statements listed in the index are presented for purpose of additional analysis and are not a required part of the basic financial statements of Zeeland Charter Township, Ottawa County, Michigan. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

Ferris, Busscher & Zwierns
FERRIS, BUSSCHER & ZWIERNIS, P.C.
Certified Public Accountants
Holland, Michigan

ZEELAND CHARTER TOWNSHIP
Management's Discussion & Analysis
December 31, 2005

This section of Zeeland Charter Township's annual financial report presents our analysis of the Township's financial performance during the fiscal year ended December 31, 2005. Please read it in conjunction with the financial statements, which follow this section.

Financial Highlights

- The Township's total net assets increased by \$1,965,624 (or 54 percent).
- The Township's assets exceeded its liabilities at the close of the most recent fiscal year by \$5,614,282 (net assets).
- The Township's total long-term debt shows a net increase of \$5,000 during 2005. This is the result of the Township making its required scheduled debt service payments and refinancing two bonds during the year.
- The Township's governmental funds reported combined ending fund balances of \$8,008,549, an increase of \$372,213 in comparison with 2004.
- Unreserved, undesignated fund balance for the General fund was \$2,197,418 or 123% of total General fund expenditures and transfers out.

Overview of the Financial Statements

This annual report consists of three parts; management's discussion and analysis, financial statements, and supplementary information. The management's discussion and analysis is intended to serve as an introduction to Zeeland Charter Township's basic financial statements. The financial statements also include notes that explain in more detail some of the information in the financial statements.

Required Financial Statements

Government-wide financial statements. The financial statements of the Township report information about the Township using accounting methods similar to those used by private sector companies. These statements offer short- and long-term financial information about its activities.

The statement of net assets includes all of the Township's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Township creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure of the Township and assessing the liquidity and financial flexibility of the Township.

The statement of activities presents information showing how the Township's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal years (e.g., special assessments and accrued interest).

Both of the government-wide financial statements distinguish functions of the Township that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities of the Township include legislative, general government, public safety, public works and parks and recreation.

ZEELAND CHARTER TOWNSHIP
Management's Discussion & Analysis
December 31, 2005

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Township, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Township can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in the evaluation of a government's near-term financing requirements. Following the governmental funds balance sheet and the governmental statement of revenues, expenditures and changes in fund balances, reconciliations are provided to facilitate the comparison between governmental funds and governmental activities.

The Township maintains eleven individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures and changes in fund balances for the nine major funds. The Township has two non-major funds. These include one special revenue fund and one debt service fund. Data from the two non-major governmental funds are combined into a single aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The Township adopts an annual appropriated budget for its General, Road and Fire funds. Budgetary comparison statements have been provided herein to demonstrate the compliance with those budgets for the major funds.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Township's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The Township accounts for one fiduciary fund – agency fund for property tax collection.

Notes to basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-Wide Financial Analysis

Our analysis of the Township begins on page 1 and 2 in the financial statements. Over time, increases or decreases in the Township's net assets are one indicator of whether its financial health is improving or deteriorating. In the case of Zeeland Charter Township, assets exceeded liabilities by \$5,614,282 at the close of the fiscal year. However, you will need to consider other non-financial factors such as changes in economic conditions, population growth, zoning and new or changed governmental legislation to gain a complete picture.

A substantial portion of the Township's net assets, \$3,029,671 (53 percent) reflects its investment in capital assets (e.g. land, buildings, sewer and water systems, equipment) less any related debt used to acquire those assets that is still outstanding. The Township uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the Township's investment in capital assets is reported net of related debt, it should be noted that the resources to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The following table shows, in a condensed format, the net assets of Zeeland Charter Township as of December, 31 2005 and 2004:

ZEELAND CHARTER TOWNSHIP
Management's Discussion & Analysis
December 31, 2005

Table 1 - Condensed Statements of Net Assets

	<u>FY</u> <u>2005</u>	<u>FY</u> <u>2004</u>
Current and other assets	\$ 10,090,599	\$ 9,266,340
Capital assets	<u>5,829,671</u>	<u>4,531,644</u>
Total assets	<u>\$ 15,920,270</u>	<u>\$ 13,797,984</u>
Long-term debt outstanding	\$ 9,330,000	\$ 9,325,000
Other liabilities	<u>975,988</u>	<u>824,326</u>
Total liabilities	<u>\$ 10,305,988</u>	<u>\$ 10,149,326</u>
Invested in capital assets, net of related debt	\$ 3,029,671	\$ 1,731,644
Restricted	3,324,952	3,759,289
Unrestricted (deficit)	<u>(740,341)</u>	<u>(1,842,275)</u>
Total net assets	<u>\$ 5,614,282</u>	<u>\$ 3,648,658</u>

Total assets in the Township increased by \$2,122,286 (15 percent) over 2004. This change is largely a result of the addition of long term capital assets (e.g. land, sewer and water infrastructure) and changes in bond related assets. In this area you will also note a significant decrease in net receivables. As we finished projects, the bond dollars held by Ottawa County Road commission on our behalf were paid to complete the projects.

The following analysis highlights the changes in net assets for the years ended December 31, 2005 and 2004:

Table 2 - Condensed Statements of Activities
"Changes in Net Assets"

	<u>FY</u> <u>2005</u>	<u>FY</u> <u>2004</u>
Program revenues		
Charges for services	\$ 162,385	\$ 233,099
Capital grants and contributions	497,999	617,945
General revenues		
Property taxes	2,208,461	2,019,998
State shared revenues	536,704	545,466
Unrestricted investment income	266,725	150,730
Miscellaneous	<u>401,155</u>	<u>368,719</u>
Total revenues	<u>\$ 4,073,429</u>	<u>\$ 3,935,957</u>
Program expenses		
Legislative	\$ 84,753	\$ 91,387
General government	401,804	352,883
Public safety	610,564	675,560
Public works	540,393	908,853
Parks and recreation	68,410	48,115
Interest on long-term debt	<u>401,881</u>	<u>400,956</u>
Total expenses	<u>\$ 2,107,805</u>	<u>\$ 2,477,754</u>
Change in net assets	<u>\$ 1,965,624</u>	<u>\$ 1,458,203</u>

ZEELAND CHARTER TOWNSHIP
Management's Discussion & Analysis
December 31, 2005

The Township's total net assets increased by \$1,965,624 during the fiscal year ending December 31, 2005, attributable mainly to higher tax revenues, better rates on investing excess funds during the year, larger impact (use) fees and booking the accounts receivable portion of franchise fees.

Other Key Elements of this Change are as Follows:

- Total Township property tax revenue increased by \$188,463 (9 percent) over fiscal year 2004; this is largely a result of new business and homes built in the Township along with escalating property values.
- State shared revenues decreased by 1.6 percent; a trend that appears to be continuing in spite of added regulations.
- The rate climate for investments was significantly better in fiscal year 2005; therefore our Treasurer showed a \$115,995 (77 percent) increase in interest revenues over the prior year.
- Impact (use) fees, paid mainly by the landfill, increased by \$49,000 over fiscal year 2004.
- Building and zoning fees (revenues) decreased for the year because of the general slowing in the economy, but more dramatically because the fees for the new Zeeland Community Hospital showed up in 2004.
- Township general government expenses were higher as a result of insurance, auditing and accounting fees and attorney expenses.
- Parks and recreation expenses increased over 2004 through an extra \$10,000 contribution made to the Howard Miller Library and work completed on expanding the Drenthe Grove Park.

Financial Analysis of the Township's Funds

As noted earlier, the Township uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the Township's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Township's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Township's combined ending governmental fund balances totaled \$8,008,549, an increase of \$372,213 over year ending 2004. On a regular basis the Township Board, in an effort to build savings for future projects, designates the movement of general fund balances into specific holding accounts for public safety, parks and recreation and public works. These funds then can be tapped for special projects that would not be possible within a yearly budget, outside of incurring debt.

Zeeland Township's funds are described as follows:

General fund is our primary operating fund.

Here are key highlights and changes:

- The Township purchased 13.1 acres of private property adjoining its 6 – acre Drenthe Grove Park at a cost of \$172,000. The Township received an \$80,400 grant from the Michigan Department of Natural

ZEELAND CHARTER TOWNSHIP
Management's Discussion & Analysis
December 31, 2005

Resources to assist with the acquisition of this property. In the beginning of 2005, the Township also finished improvements to the Drenthe Grove Park that had been initiated in 2004.

- The Township purchased the southwest corner lot at the intersection of Adams Street and 64th Avenue at a cost of \$40,000. The intention would be to maintain a pocket park at this location with signage identifying the community of Drenthe.
- The Township constructed additional bike paths and sidewalks at a cost of approximately \$70,819.
- As a result of the projects and opportunities within the Township, the Board annually looks at the General fund budget as a place to provide support for other funds that may be in need of additional revenues. In 2005, transfers were made from the General fund to the Road fund, Debt service funds and Capital project funds.

Road fund levies property taxes for road improvement purposes. In 2005, the Township expended approximately \$534,098 for construction of various road and intersection improvements. This amount was actually a reduction from the last several years, as we were waiting for approval by Michigan Department of Environmental Quality to start several approved projects.

Fire fund levies property taxes for fire protection services. In 2005, the Township participated in an analysis of its structure fire suppression delivery system, including its water storage and distribution capabilities and its fire protection and suppression service capabilities. The recent Public Protection Classification (PPC) survey conducted by the Insurance Services Office, Inc. (ISO) resulted in an improved PPC rating of Class 4, which indicates the Township's strong commitment to service the needs of its property owners and residents. Most insurers use the PPC classifications for underwriting and to calculate premiums for residential, commercial and industrial properties. The PPC classifications are placed within a range of 1 to 10, with Class 1 being the best rating and Class 10 being the lowest rating.

Water Capital Improvements collects General fund contributions to be used for future capital improvement projects. In conjunction with Jamestown Township we built a connection to the Wyoming Water Service at 48th Avenue and Ransom Street. This meter station will allow service to citizens in both Jamestown and Zeeland Townships. We shared the cost of this connection; Zeeland Township's share is showing in accounts payable equal to \$93,450, this amount will show as being paid out in 2006.

We also completed a looping of water main beginning at Riley and 72nd Avenue that ended on Felch Street near 80th Avenue at a cost of approximately \$377,000. This looping helps to eliminate dead ends, assure water flow from two sources for the new hospital and provides a second direction from which to fill our water tower at 84th Avenue and Byron Road.

Adams Street Sewer Improvements accounts for the recent upgrade along Adams Street from a force main to a gravity line from 72nd to 84th and from 68th to 72nd. This was bonded through Ottawa County Utilities, and at year end they held \$678,867 for final payments on the project.

Sewer Capital Improvements provides funds for continued expansion of sewer systems within the Township and is funded in part by the Township sewer utility property millage.

Debt service funds accumulate special assessment revenue and General fund contributions to make annual principle and interest payments.

General Fund Budgetary Highlight

Over the course of the year, the Township revised the annual operating budget several times, but only at the line item level. The budget was not amended during the year at the department/function level.

ZEELAND CHARTER TOWNSHIP
Management's Discussion & Analysis
December 31, 2005

Capital Assets and Debt Administration

Capital Assets

At December 31, 2005 the Township had a \$5,829,671 investment (net of depreciation) in a broad range of capital assets, including land, land improvements, sewer and water systems, buildings and improvements, furniture and equipment. (More detailed information about capital assets can be found in the notes to basic financial statements).

Major changes that impacted the Township's capital assets in 2005 include:

- Land purchases – 13.1 acre addition to Drenthe Grove, lot on corner of Adams Street and 64th Avenue.
- Upgraded and paved parking lots at rear of Township Hall and south side of Fire Station #3.
- Drenthe park improvements were completed including a new tennis court, paved parking, additional lighting, ADA restrooms and new ADA picnic tables.
- Water mains were added on 72nd and Felch Street and a new connection to the Wyoming Water System at the corner of Ransom and 48th Avenue (this encompasses an emergency connection to the Georgetown Township water system at New Holland and 40th).
- Bike paths were added along Woodbridge Street east of 96th Avenue and along Adams from where the path ended east to 80th Avenue.
- The sewer line along Adams Street was upgraded to a gravity line from 72nd to 84th.
- Continued upgrade of fire and safety equipment required purchases throughout the year.

Debt and Debt Administration

Total reductions of principal were \$5,030,000 and total additions of principal were \$5,035,000, for a net increase in long-term debt of \$5,000. The one major change to the Township's debt structure was: two existing bonds related to previous upgrades of the overall water system within the Township were refunded and consolidated into one. This change provided a present value savings of about \$268,000 through favorable interest rate changes. (More detailed information about long-term debt and bond refunding can be found in the notes to the basic financial statements).

Economic Factors and Next Year's Budget and Rates

The Township's budget for 2006 has an overall property tax rate of 8.0832 which is a slight increase, the result of citizens voting to renew fire and road millages at their original levels prior to "Headlee" reductions. Because of the impact of Proposal A, the Township needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or 5%. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township can grow less than inflation, before considering new property additions.

The Township plans to continue maintenance and improvement of its general infrastructure, including annual improvements to roads, drains and bike paths. The 2006 budget provides for about \$721,000 in General fund and Road fund appropriations for these initiatives.

In 2005, the Township completed a Master Land Use Plan, which sets the utilization of land areas within the Township boundaries. This plan helps the Township to design infrastructure and the corresponding costs for certain types of growth as we look to the future.

ZEELAND CHARTER TOWNSHIP
Management's Discussion & Analysis
December 31, 2005

Contacting the Township's Financial Manager

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the Township's finances and to demonstrate the Township's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Township's Clerk, Zeeland Charter Township, 6582 Byron Road, Zeeland, MI, 49464.

BASIC FINANCIAL STATEMENTS

ZEELAND CHARTER TOWNSHIP
OTTAWA COUNTY, MICHIGAN
STATEMENT OF NET ASSETS
DECEMBER 31, 2005

	<u>Primary Government</u>
	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 7,206,699
Investments	867,761
Receivables, net	1,543,450
Prepaid expenses	27,790
Capital assets	
Land	881,769
Construction in progress	2,343,486
Other capital assets, net of depreciation	2,604,416
Escrow deposit	278,844
Unamortized bond discounts	49,791
Unamortized issuance costs	<u>116,264</u>
 TOTAL ASSETS	 \$ 15,920,270
 LIABILITIES	
Accounts payable and accrued expenses	\$ 975,988
Long-term liabilities	
Due in less than one year	725,000
Due in more than one year	<u>8,605,000</u>
 TOTAL LIABILITIES	 \$ 10,305,988
 NET ASSETS	
Invested in capital assets, net of related debt	\$ 3,029,671
Restricted for	
Public Safety	214,740
Public Works	2,774,638
Debt Service	335,574
Unrestricted	<u>(740,341)</u>
 TOTAL NET ASSETS	 \$ 5,614,282

See notes to financial statements

ZEELAND CHARTER TOWNSHIP
OTTAWA COUNTY, MICHIGAN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2005

FUNCTIONS/PROGRAMS	<u>Expenses</u>	<u>Program Revenues</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>
PRIMARY GOVERNMENT			
Governmental activities			
Legislative	\$ 84,753	\$ -	\$ -
General government	401,804	2,630	-
Public safety	610,564	136,102	-
Public works	540,393	23,653	-
Parks and recreation	68,410	-	-
Interest on long-term debt	<u>401,881</u>	<u>-</u>	<u>-</u>
Total governmental activities	<u>\$ 2,107,805</u>	<u>\$ 162,385</u>	<u>\$ -</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 2,107,805</u>	<u>\$ 162,385</u>	<u>\$ -</u>
General revenues			
Taxes			
Property taxes, levied for general purposes			
Property taxes, levied for public works			
Property taxes, levied for roads			
Property taxes, levied for public safety			
State shared revenues			
Unrestricted investment income			
Miscellaneous			
Total general revenues			
CHANGE IN NET ASSETS			
NET ASSETS - JANUARY 1, 2005			
NET ASSETS - DECEMBER 31, 2005			

See notes to financial statements

<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue Governmental Activities</u>
\$ -	\$ (84,753)
-	(399,174)
-	(474,462)
417,599	(99,141)
80,400	11,990
-	<u>(401,881)</u>
<u>\$ 497,999</u>	<u>\$ (1,447,421)</u>
<u>\$ 497,999</u>	<u>\$ (1,447,421)</u>

\$ 938,832
 336,492
 532,272
 400,865
 536,704
 266,725
401,155

\$ 3,413,045

\$ 1,965,624

3,648,658

\$ 5,614,282

ZEELAND CHARTER TOWNSHIP
OTTAWA COUNTY, MICHIGAN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	<u>General</u>	<u>Road</u>	<u>Water Capital Improvements</u>	<u>Adams Street Sewer Improvements</u>
ASSETS				
Cash				
Designated	\$ -	\$ -	\$ -	\$ -
Unreserved	2,900,012	603,765	87,938	-
Investments	406,742	-	-	-
Accounts receivable	110,404	-	-	-
Assessments receivable	-	-	87,692	-
Interest receivable	7,058	-	-	-
Due from other funds	3,139	553	73	-
Due from other governmental entities	23,721	-	-	678,867
Prepaid insurance	16,995	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u>\$ 3,468,071</u>	<u>\$ 604,318</u>	<u>\$ 175,703</u>	<u>\$ 678,867</u>
LIABILITIES				
Accounts payable	\$ 77,199	\$ -	\$ 93,450	\$ -
Deferred revenue	308,454	179,617	87,692	-
Due to other funds	-	-	-	1,578
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES	<u>\$ 385,653</u>	<u>\$ 179,617</u>	<u>\$ 181,142</u>	<u>\$ 1,578</u>
FUND BALANCES				
Designated				
General government	\$ 150,000	\$ -	\$ -	\$ -
Public safety	100,000	-	-	-
Public works	350,000	-	-	-
Parks and recreation	285,000	-	-	-
Unreserved-reported in:				
General Fund	2,197,418	-	-	-
Special Revenue Funds	-	424,701	-	-
Debt Service Funds	-	-	-	-
Capital Projects Funds	-	-	(5,439)	677,289
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
TOTAL FUND BALANCES	<u>\$ 3,082,418</u>	<u>\$ 424,701</u>	<u>\$ (5,439)</u>	<u>\$ 677,289</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,468,071</u>	<u>\$ 604,318</u>	<u>\$ 175,703</u>	<u>\$ 678,867</u>

See notes to financial statements

<u>Sewer Capital Improvements</u>	<u>Sewer Extension Bond</u>	<u>D/V Sewer Bond</u>	<u>Water Consolidated Bond</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 71,837	\$ 71,837
2,117,686	773,905	39,915	34,961	570,662	7,128,844
-	461,019	-	-	-	867,761
-	-	-	-	-	110,404
-	142,394	197,999	170,432	22,950	621,467
2,976	4,081	-	-	-	14,115
95,840	725	1,451	1,608	1,994	105,383
-	-	-	5,018	-	707,606
-	-	-	-	10,795	27,790
<u>\$ 2,216,502</u>	<u>\$ 1,382,124</u>	<u>\$ 239,365</u>	<u>\$ 212,019</u>	<u>\$ 678,238</u>	<u>\$ 9,655,207</u>
\$ 4,742	\$ -	\$ -	\$ 2,293	\$ 17,127	\$ 194,811
110,984	142,394	197,999	170,432	157,205	1,354,777
-	15,492	-	-	80,000	97,070
<u>\$ 115,726</u>	<u>\$ 157,886</u>	<u>\$ 197,999</u>	<u>\$ 172,725</u>	<u>\$ 254,332</u>	<u>\$ 1,646,658</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,000
-	-	-	-	71,837	171,837
-	-	-	-	-	350,000
-	-	-	-	-	285,000
-	-	-	-	-	2,197,418
-	-	-	-	193,572	618,273
-	1,224,238	41,366	39,294	158,497	1,463,395
2,100,776	-	-	-	-	2,772,626
<u>\$ 2,100,776</u>	<u>\$ 1,224,238</u>	<u>\$ 41,366</u>	<u>\$ 39,294</u>	<u>\$ 423,906</u>	<u>\$ 8,008,549</u>
<u>\$ 2,216,502</u>	<u>\$ 1,382,124</u>	<u>\$ 239,365</u>	<u>\$ 212,019</u>	<u>\$ 678,238</u>	<u>\$ 9,655,207</u>

ZEELAND CHARTER TOWNSHIP
OTTAWA COUNTY, MICHIGAN
RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET
FOR GOVERNMENTAL FUNDS TO NET ASSETS OF
GOVERNMENTAL ACTIVITIES ON THE STATEMENT OF NET ASSETS
DECEMBER 31, 2005

Fund balances - Total governmental funds	\$ 8,008,549
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - Capital assets	6,825,521
Deduct - Accumulated depreciation	(995,850)

Other assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds.

Add - Bond issuance costs	121,256
Deduct - Accumulated amortization	(4,992)
Add - Bond discount	52,548
Deduct - Accumulated amortization	(2,757)
Add - Escrow deposit	278,844

Certain liabilities, such as bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Deduct - Bonds payable	(9,330,000)
Deduct - Accrued interest on long-term debt	(47,868)

Tax, special assessment, or other revenues unearned or unavailable in < 60 days for expenditures reported in fund statements.

Add - Receivables	87,564
Add - Deferred revenue	<u>621,467</u>

Net assets of governmental activities	<u>\$ 5,614,282</u>
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ZEELAND CHARTER TOWNSHIP
OTTAWA COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2005

	<u>General</u>	<u>Road</u>	<u>Water Capital Improvements</u>	<u>Adams Street Sewer Improvements</u>
REVENUES				
Taxes and special assessments	\$ 937,885	\$ 532,272	\$ 23,943	\$ -
Licenses and permits	508,288	-	-	-
Intergovernmental revenue	546,418	-	70,994	-
Charges for services	23,387	946	23,653	-
Grant revenue	80,400	-	-	-
Investment income	93,347	14,034	11,154	23,655
Other revenue	<u>1,894</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	\$ 2,191,619	\$ 547,252	\$ 129,744	\$ 23,655
EXPENDITURES				
Legislative	\$ 84,752	\$ -	\$ -	\$ -
General government	376,733	-	-	-
Public safety	294,975	-	-	-
Public works	78,114	405,392	14,811	-
Parks and recreation	54,950	-	-	-
Debt service				
Principal retirement	-	-	-	-
Interest and other charges	-	-	-	-
Bond issuance costs	-	-	-	-
Capital outlay	<u>330,260</u>	<u>-</u>	<u>469,925</u>	<u>639,740</u>
TOTAL EXPENDITURES	\$ 1,219,784	\$ 405,392	\$ 484,736	\$ 639,740
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	\$ 971,835	\$ 141,860	\$ (354,992)	\$ (616,085)
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ 61,000	\$ 150,000	\$ 50,000	\$ -
Transfers out	(565,200)	-	(21,000)	-
Bond refunding proceeds	-	-	-	-
Payment to escrow	-	-	-	-
Bond discount	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	\$ (504,200)	\$ 150,000	\$ 29,000	\$ -

See notes to financial statements

<u>Sewer Capital Improvements</u>	<u>Sewer Extension Bond</u>	<u>D/V Sewer Bond</u>	<u>D/V Water Bond</u>	<u>Water Consolidated Bond</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
\$ 336,492	\$ 41,382	\$ 43,256	\$ 154,007	\$ -	\$ 561,931	\$ 2,631,168
-	-	-	-	-	-	508,288
-	-	-	-	-	-	617,412
-	-	-	-	-	-	47,986
-	-	-	-	-	-	80,400
49,195	41,423	7,210	12,100	-	14,607	266,725
<u>2,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,317</u>	<u>8,211</u>
<u>\$ 387,687</u>	<u>\$ 82,805</u>	<u>\$ 50,466</u>	<u>\$ 166,107</u>	<u>\$ -</u>	<u>\$ 580,855</u>	<u>\$ 4,160,190</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 84,752
-	-	-	-	-	-	376,733
-	-	-	-	-	233,654	528,629
1,784	-	-	-	-	-	500,101
-	-	-	-	-	-	54,950
-	85,000	110,000	120,000	-	45,000	360,000
-	13,940	13,700	260,361	-	126,309	414,310
-	-	-	-	73,806	-	73,806
<u>9,534</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>9,323</u>	<u>1,458,782</u>
<u>\$ 11,318</u>	<u>\$ 98,940</u>	<u>\$ 123,700</u>	<u>\$ 380,361</u>	<u>\$ 73,806</u>	<u>\$ 414,286</u>	<u>\$ 3,852,063</u>
<u>\$ 376,369</u>	<u>\$ (16,135)</u>	<u>\$ (73,234)</u>	<u>\$ (214,254)</u>	<u>\$ (73,806)</u>	<u>\$ 166,569</u>	<u>\$ 308,127</u>
\$ -	\$ -	\$ 30,000	\$ 280,798	\$ 49,014	\$ 57,000	\$ 677,812
-	-	-	(89,014)	-	(2,598)	(677,812)
-	-	-	-	365,000	-	365,000
-	-	-	-	(278,844)	-	(278,844)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(22,070)</u>	<u>-</u>	<u>(22,070)</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 30,000</u>	<u>\$ 191,784</u>	<u>\$ 113,100</u>	<u>\$ 54,402</u>	<u>\$ 64,086</u>

ZEELAND CHARTER TOWNSHIP
 OTTAWA COUNTY, MICHIGAN
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 (CONTINUED)
 GOVERNMENTAL FUNDS
 YEAR ENDED DECEMBER 31, 2005

	<u>General</u>	<u>Road</u>	<u>Water Capital Improvements</u>	<u>Adams Street Sewer Improvements</u>
NET CHANGE IN FUND BALANCES	\$ 467,635	\$ 291,860	\$ (325,992)	\$ (616,085)
FUND BALANCES - JANUARY 1, 2005	<u>2,614,783</u>	<u>132,841</u>	<u>320,553</u>	<u>1,293,374</u>
FUND BALANCES - DECEMBER 31, 2005	<u>\$ 3,082,418</u>	<u>\$ 424,701</u>	<u>\$ (5,439)</u>	<u>\$ 677,289</u>

See notes to financial statements

<u>Sewer Capital Improvements</u>	<u>Sewer Extension Bond</u>	<u>D/V Sewer Bond</u>	<u>D/V Water Bond</u>	<u>Water Consolidated Bond</u>	<u>Non-Major Funds</u>	<u>Total Governmental Funds</u>
\$ 376,369	\$ (16,135)	\$ (43,234)	\$ (22,470)	\$ 39,294	\$ 220,971	\$ 372,213
<u>1,724,407</u>	<u>1,240,373</u>	<u>84,600</u>	<u>22,470</u>	<u>-</u>	<u>202,935</u>	<u>7,636,336</u>
<u>\$ 2,100,776</u>	<u>\$ 1,224,238</u>	<u>\$ 41,366</u>	<u>\$ -</u>	<u>\$ 39,294</u>	<u>\$ 423,906</u>	<u>\$ 8,008,549</u>

ZEELAND CHARTER TOWNSHIP
OTTAWA COUNTY, MICHIGAN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2005

Net change in fund balances - Total governmental funds \$ 372,213

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Add - Capital outlay	1,458,782
Deduct - Depreciation expense	(160,755)

Debt proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental fund, but the repayment reduces long-term liabilities in the statement of net assets.

Add - Principal payments on long-term liabilities	360,000
Add - Bond issuance costs	73,806
Add - Bond discount	22,070
Add - Escrow payment	278,844
Deduct - Proceeds of long-term debt	(365,000)

Tax, special assessment, or other revenues unearned or unavailable in < 60 days for expenditures reported in fund statements.	(86,764)
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Add - Change in accrued interest on long-term debt	18,160
Deduct - Amortization of current year bond issuance costs	(3,764)
Deduct - Amortization of current year bond discounts	<u>(1,968)</u>

Change in net assets of governmental activities	<u>\$ 1,965,624</u>
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ZEELAND CHARTER TOWNSHIP
OTTAWA COUNTY, MICHIGAN
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUND
DECEMBER 31, 2005

	Property Tax <u>Collection</u>
ASSETS	
Receivables, net	\$ <u>14,366</u>
TOTAL ASSETS	\$ <u>14,366</u>
LIABILITIES	
Due to other governments	\$ <u>14,366</u>
TOTAL LIABILITIES	\$ <u>14,366</u>

ZEELAND CHARTER TOWNSHIP
OTTAWA COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Township.

REPORTING ENTITY

The Township was chartered in 1984 and covers an area of approximately 34 1/2 square miles. The Township operates under an elected Board of Trustees (seven members) and provides services to its more than 7,600 residents in many areas including fire protection, community enrichment and development and human services. In accordance with the provisions of Governmental Accounting Standards Board Statement No. 14, certain other governmental organizations are not considered to be part of the Township entity for financial reporting purposes.

GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. The Township does not have any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The Township does not have any proprietary funds.

MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT
PRESENTATION

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

ZEELAND CHARTER TOWNSHIP
OTTAWA COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Township considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available to finance expenditures of the fiscal period. State shared revenue, franchise fees, impact fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

The Township's property tax is levied on each December 1st on the taxable valuation of property (as defined by State statutes) located in Zeeland Charter Township as of the preceding December 31st. The Township's 2004 ad valorem tax is levied and collectible on December 1, 2004, and it is the Township's policy to recognize revenue from the current tax levy in the subsequent year ended December 31, 2005.

The 2004 taxable valuation of the Township totaled \$269,388,332, on which ad valorem taxes levied consisted of 3.4 mills for the Township's operating purposes, 1.4575 mills for fire services, 1.9352 mills for roads, and 1.2234 mills for utilities. The 2004 taxable valuation of the Township's Industrial Facilities Tax roll totaled \$10,660,685, on which ad valorem taxes levied consisted of 1.7 mills for the Township's operating purposes, .7288 mills for fire services, .9676 mills for roads, and .6117 mills for utilities. These taxes raised \$932,044 for operating, \$400,865 for fire services, \$532,272 for roads, and \$336,492 for utilities. These amounts are recognized in the respective General, Special Revenue, and Capital Projects Fund financial statements as tax revenue.

The Township reports the following major governmental funds:

The General Fund is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Road Fund accounts for the financial resources used for the construction and dust control of roads within the Township.

Sewer Extension Bond, D/V Sewer Bond, D/V Water Bond and Water Consolidated Bond Funds account for the accumulation of resources for, and payment of, long-term debt principal, interest, and related costs.

Water and Sewer Capital Improvements Funds account for the financial resources used for the general improvements to the water and sewer systems within the Township.

Adams Street Sewer Improvements Fund accounts for the financial resources, including bond proceeds, used for the construction of additional sewer lines along Adams Street in the Township.

ZEELAND CHARTER TOWNSHIP
OTTAWA COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Additionally, the Township reports the following fund types:

Debt Service Funds account for the accumulation of resources for, and payment of, long-term debt principal, interest, and related costs.

Special Revenue Fund accounts for the financial resources used in the operation of the fire stations, including compensation, equipment, and supplies.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and conditions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

Bank Deposits and Investments – Cash is considered to be cash on hand, demand deposits, and certificates of deposit. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as “due to/from other funds.” Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as “advances to/from other funds.” Any residual balances outstanding between the governmental activities are reported in the government-wide financial statements as “internal balances.”

All trade and property tax receivables are shown as net of allowance for uncollectible amounts. Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

Prepaid Items – Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets – Capital assets, which include property, plant, equipment, infrastructure assets (e.g., sewer and water mains) are reported in governmental activities column in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

ZEELAND CHARTER TOWNSHIP
OTTAWA COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment are depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building improvements	15 to 30 years
Land improvements	15 to 30 years
Water and sewer lines	50 to 75 years
Vehicles	3 to 5 years
Office equipment	5 to 7 years
Machinery and equipment	3 to 20 years

Deferred Revenue – Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet earned.

Long-Term Obligations – In the government-wide financial statements and in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported gross on the statement of net assets. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as debt service expenditures.

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

Restricted Net Assets – The Township's policy is to first apply restricted resources when an expense is incurred for which restricted and unrestricted net assets are available.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information – Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end.

The budget document presents information by fund, function, department and line items. The legal level of budgetary control adopted by the Township is the department level.

ZEELAND CHARTER TOWNSHIP
OTTAWA COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Excess of Expenditures Over Appropriations in Budgeted Funds – During the year, the Township incurred expenditures in certain budgeted funds which were in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>	<u>Variance (Over)</u>
General Fund			
Legislative			
Elections	\$ -	\$ 151	\$ (151)
General government			
Insurance	29,300	30,267	(967)
Cemetery	9,000	15,937	(6,937)
Public Works			
Highways and streets	173	301	(128)
Parks and Recreation			
Parks and recreation	-	4,950	(4,950)
Capital outlay			
Parks and recreation	145,000	228,663	(83,663)

Fund Deficits – The Township has accumulated a fund balance deficit in the following individual fund:

Water Capital Improvements Fund – The Township plans to eliminate the deficit by making operating transfers to the capital project fund in the next fiscal year.

NOTE 3 – DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Sections 129.91, authorizes the Township to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The local unit is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivision which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Township Board has designated five banks for the deposit of Township funds. The investment policy adopted by the Board is in accordance with Public Act 196 of 1997 has authorized investments in bonds and securities of the United States government, bank accounts and CD's, but not the remainder of State Statutory authority as listed above.

ZEELAND CHARTER TOWNSHIP
OTTAWA COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

At year-end, the Township's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash	\$ 7,206,699	\$ -	\$ 7,206,699
Investments	<u>867,761</u>	<u>-</u>	<u>867,761</u>
Total	<u>\$ 8,074,460</u>	<u>\$ -</u>	<u>\$ 8,074,460</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank deposits (checking and savings accounts, certificate of deposits)	\$ 7,206,699
Investments in securities, mutual funds and similar vehicles	<u>867,761</u>
Total	<u>\$ 8,074,460</u>

The bank balance of the primary government's deposits is \$8,133,641, of which \$500,000 is covered by federal depository insurance and \$7,633,641 is uninsured and uncollateralized.

Investments are categorized into these three categories of credit risk:

1. Insured or registered, or securities held by the Township or its agent in the Township's name;
2. Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Township's name; and
3. Uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the Township's name.

At year-end, the Township's investment balances were categorized as follows:

	<u>Category</u>			<u>Reported Amount (Fair Value)</u>
	1	2	3	
Primary government				
U.S. Government Securities	\$ <u>867,761</u>	\$ -	\$ -	\$ <u>867,761</u>
Total primary government	<u>\$ 867,761</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 867,761</u>

ZEELAND CHARTER TOWNSHIP
OTTAWA COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 4 – CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

<u>Governmental Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital assets not being depreciated				
Land	\$ 667,186	\$ 214,583	\$ -	\$ 881,769
Construction in progress	<u>1,732,548</u>	<u>649,274</u>	<u>(38,336)</u>	<u>2,343,486</u>
Subtotal	<u>\$ 2,399,734</u>	<u>\$ 863,857</u>	<u>\$ (38,336)</u>	<u>\$ 3,225,255</u>
Capital assets being depreciated				
Buildings	\$ 928,950	\$ -	\$ -	\$ 928,950
Improvements other than buildings	548,490	115,677	-	664,167
Machinery and equipment	1,501,310	9,323	(11,745)	1,498,888
Infrastructure	<u>-</u>	<u>508,261</u>	<u>-</u>	<u>508,261</u>
Subtotal	<u>\$ 2,978,750</u>	<u>\$ 633,261</u>	<u>\$ (11,745)</u>	<u>\$ 3,600,266</u>
Less accumulated depreciation for				
Buildings	\$ 266,572	\$ 28,936	\$ -	\$ 295,508
Improvements other than buildings	80,293	53,577	-	133,870
Machinery and equipment	499,975	77,086	(11,745)	565,316
Infrastructure	<u>-</u>	<u>1,156</u>	<u>-</u>	<u>1,156</u>
Subtotal	<u>\$ 846,840</u>	<u>\$ 160,755</u>	<u>\$ (11,745)</u>	<u>\$ 995,850</u>
Net capital assets being depreciated	<u>\$ 2,131,910</u>	<u>\$ 472,506</u>	<u>\$ -</u>	<u>\$ 2,604,416</u>
Total capital assets – net of depreciation	<u>\$ 4,531,644</u>	<u>\$ 1,336,363</u>	<u>\$ (38,336)</u>	<u>\$ 5,829,671</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental activities	
General government	\$ 25,071
Public works	40,291
Parks and recreation	13,460
Public safety	<u>81,933</u>
Total governmental activities	<u>\$ 160,755</u>

ZEELAND CHARTER TOWNSHIP
OTTAWA COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 4 – CAPITAL ASSETS (CONTINUED)

<u>Construction Commitments</u>	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Sewer Line Construction	<u>\$ 2,343,486</u>	<u>\$ 1,719,209</u>

NOTE 5 – DEFERRED REVENUE

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year, the various components of deferred revenue are as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Special assessments	\$ 621,467	\$ -
Tax revenue	<u>-</u>	<u>733,310</u>
Total	<u>\$ 621,467</u>	<u>\$ 733,310</u>

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances are as follows:

<u>Receivable Fund</u>		<u>Payable Fund</u>	
Major funds:			
General	\$ 3,139	Trust and Agency	\$ 8,313
Road	553	Major funds:	
Water Capital Improvements	73	Adams Street Sewer Improvements	1,578
Sewer Capital Improvements	95,840	Sewer Extension Bond	15,492
Sewer Extension Bond	725	Non-Major funds:	<u>80,000</u>
D/V Sewer Bond	1,451		
Water Consolidated Band	1,608		
Non-Major funds:	<u>1,994</u>		
	<u>\$ 105,383</u>		<u>\$ 105,383</u>

ZEELAND CHARTER TOWNSHIP
OTTAWA COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 6 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (CONTINUED)

Interfund transfers:

	<u>Operating Transfer In</u>	<u>Operating Transfer Out</u>
Major funds:		
General	\$ 61,000	\$(565,200)
Road	150,000	-
Water Capital Improvements	50,000	(21,000)
D/V Sewer Bond	30,000	-
D/V Water Bond	280,798	(89,014)
Water Consolidated Bond	49,014	-
Non-Major funds:	<u>57,000</u>	<u>(2,598)</u>
	<u>\$ 677,812</u>	<u>\$(677,812)</u>

NOTE 7 – LONG-TERM DEBT

The Township issues bonds to provide for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the Township. County contractual agreements and installment purchase agreements are also general obligations of the Township. Special assessment bonds provide for capital improvements that benefit specific properties, and will be repaid from amounts levied against those properties benefited from the construction. In the event that a deficiency exists because of unpaid or delinquent special assessments at the time a debt service payment is due, the Township is obligated to provide resources to cover the deficiency until other resources (such as tax, sale proceeds or a re-assessment of the district) are received. Revenue bonds involve a pledge of specific income derived from the acquired or constructed assets to pay debt service.

Bond and contractual obligation activity can be summarized as follows:

	<u>Interest Rate</u>	<u>Principal Matures</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities							
General obligation bonds							
Water Ottogan Bond	5.1-7.1%	2009	\$ 310,000	\$ -	\$ (310,000)	\$ -	\$ -
D/V Water Bond	5.55-5.7%	2019	5,210,000	-	(4,525,000)	685,000	120,000
Sewer Extension Bond	3.7-4.35%	2008	320,000	-	(85,000)	235,000	85,000
D/V Sewer Bond	2.0%	2010	685,000	-	(110,000)	575,000	110,000
Adams Street Sewer Bond	2.0-5.0%	2023	2,800,000	-	-	2,800,000	325,000
Water Consolidated Bond	3.0-4.0%	2019	<u>-</u>	<u>5,035,000</u>	<u>-</u>	<u>5,035,000</u>	<u>85,000</u>
Total governmental activities			<u>\$ 9,325,000</u>	<u>\$ 5,035,000</u>	<u>\$ (5,030,000)</u>	<u>\$ 9,330,000</u>	<u>\$ 725,000</u>

ZEELAND CHARTER TOWNSHIP
OTTAWA COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 7 – LONG-TERM DEBT (CONTINUED)

Annual debt service requirements to maturity for the above obligations are as follows:

<u>Year Ending December 31,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2006	\$ 725,000	\$ 371,986
2007	640,000	334,914
2008	935,000	312,521
2009	560,000	279,644
2010	500,000	257,764
2011-2015	2,585,000	992,104
2016-2020	2,725,000	469,950
2021-2023	<u>660,000</u>	<u>65,213</u>
Total	<u>\$ 9,330,000</u>	<u>\$ 3,084,096</u>

Advance Refunding

On September 29, 2005, the Township issued \$5,035,000 in general obligation bonds at a discount for \$5,012,930 with an average interest rate of 3.5%. The proceeds of these bonds were used to advance refund \$265,000 of 1994 Water Improvement bonds and \$4,405,000 of 1999 Water Improvement bonds with an average interest rate of 5.5%. The net proceeds of \$4,934,106 (after \$78,824 in underwriting fees, insurance, and other issuance costs) plus an additional \$131,269 were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the original bonds. As a result, the bonds are considered to be defeased and the liability for the bonds has been removed from the Township's government-wide financial statements. The advance refunding reduced total debt service payments over the next 14 years by approximately \$346,000, which represents an economic gain of approximately \$268,000.

NOTE 8 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries (workers' compensation), as well as medical benefits provided to employees. The Township has purchased commercial insurance to cover all risks of losses. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

NOTE 9 – CONTINGENCIES

Zeeland Charter Township has entered into a contract providing for the acquisition, construction and financing of improvements to the Wyoming Water Supply System. The full faith and credit of Zeeland Charter Township have been pledged in the contract for making payments to Ottawa County, the issuer of the bonds, in amounts equal to 2.62% of the principal amount of the bonds actually issued and the interest thereon. The total principal amount of the bonds issued by Ottawa County was \$3,735,000.

ZEELAND CHARTER TOWNSHIP
OTTAWA COUNTY, MICHIGAN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2005

NOTE 9 – CONTINGENCIES (CONTINUED)

Zeeland Charter Township has entered into a contract providing for the acquisition, construction and financing of improvements to the City of Holland Waste Water Treatment Plant. The full faith and credit of Zeeland Charter Township have been pledged in the contract for making payments to Ottawa County, the issuer of the bonds, in amounts equal to 1.24% of the principal amount of the bonds actually issued and the interest thereon. The total principal amount of the bonds issued by Ottawa County was \$11,900,000.

Zeeland Charter Township has entered into a contract providing for the acquisition, construction and financing of improvements to the Wyoming Water Supply System. The full faith and credit of Zeeland Charter Township have been pledged in the contract for making payments to Ottawa County, the issuer of the bonds, in amounts equal to 2.26% of the principal amount of the bonds actually issued and the interest thereon. The total principal amount of the bonds issued by Ottawa County was \$10,035,000.

NOTE 10 – BUILDING DEPARTMENT

Revenues	
Inspection fees	<u>\$ 112,767</u>
Expenditures	
Salaries	\$ 116,915
Fringe benefits	15,823
Office expenses	<u>20,172</u>
Total expenditures	<u>\$ 152,910</u>
Deficiency of revenues under expenditures	\$ (40,143)
Cumulative excess (deficiency) of revenues over (under) expenditures December 31, 2004	<u>12,593</u>
Cumulative excess (deficiency) of revenues over (under) expenditures December 31, 2005	<u>\$ (27,550)</u>

REQUIRED SUPPLEMENTAL INFORMATION

ZEELAND CHARTER TOWNSHIP
OTTAWA COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2005

	<u>Original Budget</u>	<u>Final Amended Budget</u>
REVENUES		
TAXES		
Current property taxes	\$ 926,520	\$ 926,520
Trailer park	<u>5,000</u>	<u>5,000</u>
TOTAL TAXES	<u>\$ 931,520</u>	<u>\$ 931,520</u>
LICENSES AND PERMITS		
Building permits	\$ 60,000	\$ 60,000
Mechanical permits	30,000	30,000
Plumbing permits	17,000	17,000
Electrical permits	45,000	45,000
Impact fees	225,000	225,000
Franchise fees	25,000	25,000
Other	<u>10,710</u>	<u>10,710</u>
TOTAL LICENSES AND PERMITS	<u>\$ 412,710</u>	<u>\$ 412,710</u>
INTERGOVERNMENTAL REVENUE		
State shared revenue	<u>\$ 517,560</u>	<u>\$ 517,560</u>
CHARGES FOR SERVICES		
Administrative fees	\$ 9,514	\$ 9,514
Sale of cemetery lots	2,000	2,000
Traffic code	4,500	4,500
Rental of township property	<u>2,000</u>	<u>2,000</u>
TOTAL CHARGES FOR SERVICES	<u>\$ 18,014</u>	<u>\$ 18,014</u>
GRANT REVENUE	<u>\$ -</u>	<u>\$ -</u>
INVESTMENT INCOME	<u>\$ 23,000</u>	<u>\$ 23,000</u>
MISCELLANEOUS	<u>\$ 11,000</u>	<u>\$ 11,000</u>
TOTAL REVENUES	<u>\$ 1,913,804</u>	<u>\$ 1,913,804</u>

<u>Actual</u>	<u>Variance</u>
\$ 932,903	\$ 6,383
<u>4,982</u>	<u>(18)</u>
<u>\$ 937,885</u>	<u>\$ 6,365</u>
\$ 42,558	\$ (17,442)
26,096	(3,904)
18,546	1,546
25,567	(19,433)
284,704	59,704
98,080	73,080
<u>12,737</u>	<u>2,027</u>
<u>\$ 508,288</u>	<u>\$ 95,578</u>
<u>\$ 546,418</u>	<u>\$ 28,858</u>
\$ 10,473	\$ 959
600	(1,400)
10,434	5,934
<u>1,880</u>	<u>(120)</u>
<u>\$ 23,387</u>	<u>\$ 5,373</u>
<u>\$ 80,400</u>	<u>\$ 80,400</u>
<u>\$ 93,347</u>	<u>\$ 70,347</u>
<u>\$ 1,894</u>	<u>\$ (9,106)</u>
<u>\$ 2,191,619</u>	<u>\$ 277,815</u>

ZEELAND CHARTER TOWNSHIP
OTTAWA COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2005

	Original <u>Budget</u>	Final Amended <u>Budget</u>
EXPENDITURES		
LEGISLATIVE		
Township Board		
Salaries of trustees	\$ 13,140	\$ 13,140
Social security	1,005	1,005
Membership and dues	25,600	25,600
Transportation and meals	200	200
Printing and publishing	8,500	8,500
Newsletter	2,800	2,800
Community services	28,400	28,400
Miscellaneous	<u>21,800</u>	<u>21,800</u>
Total Township Board	\$ <u>101,445</u>	\$ <u>101,445</u>
Elections		
Supplies	\$ -	\$ -
TOTAL LEGISLATIVE	\$ <u>101,445</u>	\$ <u>101,445</u>
GENERAL GOVERNMENT		
Supervisor		
Salaries	\$ 45,650	\$ 45,650
Social security	3,492	3,492
Transportation and meals	1,100	1,100
Insurance	11,927	11,927
Retirement	<u>1,100</u>	<u>1,100</u>
Total Supervisor	\$ <u>63,269</u>	\$ <u>63,269</u>

ZEELAND CHARTER TOWNSHIP
OTTAWA COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2005

	<u>Original Budget</u>	<u>Final Amended Budget</u>
EXPENDITURES (CONTINUED)		
GENERAL GOVERNMENT (CONTINUED)		
Assessor		
Salaries	\$ 26,165	\$ 26,165
Social security	2,002	2,002
Supplies	<u>7,000</u>	<u>7,000</u>
Total Assessor	<u>\$ 35,167</u>	<u>\$ 35,167</u>
Professional Services		
Attorney fees	\$ 47,000	\$ 47,000
Auditing and accounting fees	17,000	26,000
Other contract services	<u>-</u>	<u>-</u>
Total Professional Services	<u>\$ 64,000</u>	<u>\$ 73,000</u>
Insurance	<u>\$ 27,800</u>	<u>\$ 29,300</u>
Contingencies	<u>\$ 95,285</u>	<u>\$ 52,785</u>
Clerk		
Salaries	\$ 24,065	\$ 24,065
Meetings	1,100	1,100
Social security	1,920	1,920
Supplies	800	800
Contracted services	2,200	2,200
Transportation and meals	<u>100</u>	<u>100</u>
Total Clerk	<u>\$ 30,185</u>	<u>\$ 30,185</u>
Board of Review		
Salaries	\$ 750	\$ 750
Social security	57	57
Transportation and meals	<u>85</u>	<u>85</u>
Total Board of Review	<u>\$ 892</u>	<u>\$ 892</u>

<u>Actual</u>	<u>Variance</u>
\$ 26,165	\$ -
2,002	-
<u>3,000</u>	<u>4,000</u>
<u>\$ 31,167</u>	<u>\$ 4,000</u>
\$ 40,558	\$ 6,442
24,475	1,525
<u>2,424</u>	<u>(2,424)</u>
<u>\$ 67,457</u>	<u>\$ 5,543</u>
<u>\$ 30,267</u>	<u>\$ (967)</u>
<u>\$ -</u>	<u>\$ 52,785</u>
\$ 24,065	\$ -
1,105	(5)
1,838	82
52	748
1,950	250
<u>226</u>	<u>(126)</u>
<u>\$ 29,236</u>	<u>\$ 949</u>
\$ 440	\$ 310
34	23
<u>26</u>	<u>59</u>
<u>\$ 500</u>	<u>\$ 392</u>

ZEELAND CHARTER TOWNSHIP
OTTAWA COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2005

	Original <u>Budget</u>	Final Amended <u>Budget</u>
EXPENDITURES (CONTINUED)		
GENERAL GOVERNMENT (CONTINUED)		
General Office		
Salaries	\$ 43,300	\$ 43,300
Social security	3,312	3,312
Supplies	13,100	13,100
Postage	4,200	4,200
Repairs and maintenance	2,500	2,500
Miscellaneous	<u>3,000</u>	<u>3,000</u>
Total General Office	<u>\$ 69,412</u>	<u>\$ 69,412</u>
Treasurer		
Salaries	\$ 21,400	\$ 21,400
Meetings	3,800	3,800
Social security	1,913	1,913
Contracted services	11,000	11,000
Supplies	300	300
Transportation and meals	<u>400</u>	<u>400</u>
Total Treasurer	<u>\$ 38,813</u>	<u>\$ 38,813</u>
Township Hall and Grounds		
Salaries	\$ 7,500	\$ 7,500
Social security	574	574
Supplies	2,200	2,200
Utilities	19,000	19,000
Repairs and maintenance	<u>17,000</u>	<u>17,000</u>
Total Township Hall and Grounds	<u>\$ 46,274</u>	<u>\$ 46,274</u>

<u>Actual</u>	<u>Variance</u>
\$ 37,328	\$ 5,972
2,856	456
13,958	(858)
2,797	1,403
4,604	(2,104)
<u>-</u>	<u>3,000</u>
<u>\$ 61,543</u>	<u>\$ 7,869</u>
\$ 21,400	\$ -
4,225	(425)
1,960	(47)
3,385	7,615
161	139
<u>406</u>	<u>(6)</u>
<u>\$ 31,537</u>	<u>\$ 7,276</u>
\$ 6,143	\$ 1,357
470	104
1,319	881
17,189	1,811
<u>20,880</u>	<u>(3,880)</u>
<u>\$ 46,001</u>	<u>\$ 273</u>

ZEELAND CHARTER TOWNSHIP
 OTTAWA COUNTY, MICHIGAN
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL (CONTINUED)
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2005

	Original <u>Budget</u>	Final Amended <u>Budget</u>
EXPENDITURES (CONTINUED)		
GENERAL GOVERNMENT (CONTINUED)		
Cemetery		
Supplies	\$ 1,100	\$ 1,100
Repairs and maintenance	<u>7,900</u>	<u>7,900</u>
Total Cemetery	<u>\$ 9,000</u>	<u>\$ 9,000</u>
TOTAL GENERAL GOVERNMENT	<u>\$ 480,097</u>	<u>\$ 448,097</u>
PUBLIC SAFETY		
Police Protection		
Road patrol	<u>\$ 114,834</u>	<u>\$ 114,834</u>
Fire Protection		
Wages	\$ 1,800	\$ 1,800
Social security	136	136
Hydrant rental	26,500	26,500
Equipment reserve	<u>128,000</u>	<u>128,000</u>
Total Fire Protection	<u>\$ 156,436</u>	<u>\$ 156,436</u>
Building and Administration		
Salaries	\$ 55,120	\$ 55,120
Social security	4,177	4,177
Insurance	10,746	10,746
Supplies	1,580	1,580
Transportation and meals	<u>2,640</u>	<u>2,640</u>
Total Building and Administration	<u>\$ 74,263</u>	<u>\$ 74,263</u>

<u>Actual</u>	<u>Variance</u>
\$ 379	\$ 721
<u>15,558</u>	<u>(7,658)</u>
\$ 15,937	\$ (6,937)
<u>\$ 376,733</u>	<u>\$ 71,364</u>
<u>\$ 102,818</u>	<u>\$ 12,016</u>
\$ 610	\$ 1,190
47	89
27,685	(1,185)
<u>-</u>	<u>128,000</u>
<u>\$ 28,342</u>	<u>\$ 128,094</u>
\$ 55,120	\$ -
4,217	(40)
7,846	2,900
147	1,433
<u>1,872</u>	<u>768</u>
<u>\$ 69,202</u>	<u>\$ 5,061</u>

ZEELAND CHARTER TOWNSHIP
 OTTAWA COUNTY, MICHIGAN
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL (CONTINUED)
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2005

	Original <u>Budget</u>	Final Amended <u>Budget</u>
EXPENDITURES (CONTINUED)		
PUBLIC SAFETY (CONTINUED)		
Inspections		
Electrical inspection salaries	\$ 32,000	\$ 32,000
Mechanical inspection salaries	26,000	26,000
Plumbing inspection salaries	19,000	19,000
Social security	<u>5,891</u>	<u>5,891</u>
Total Inspections	<u>\$ 82,891</u>	<u>\$ 82,891</u>
Planning Commission		
Salaries	\$ 6,500	\$ 6,500
Social security	497	497
Supplies	200	200
Contracted services	30,000	30,000
Transportation and meals	<u>200</u>	<u>200</u>
Total Planning Commission	<u>\$ 37,397</u>	<u>\$ 37,397</u>
Zoning Board of Appeals		
Salaries	\$ 2,900	\$ 2,900
Social security	<u>218</u>	<u>218</u>
Total Zoning Board of Appeals	<u>\$ 3,118</u>	<u>\$ 3,118</u>
TOTAL PUBLIC SAFETY	<u>\$ 468,939</u>	<u>\$ 468,939</u>
PUBLIC WORKS		
Drains at Large	<u>\$ 25,000</u>	<u>\$ 25,000</u>
Highways and Streets		
Salaries	\$ 160	\$ 160
Social security	<u>13</u>	<u>13</u>
Total Highways and Streets	<u>\$ 173</u>	<u>\$ 173</u>

Actual	<u>Variance</u>
\$ 22,615	\$ 9,385
18,768	7,232
17,426	1,574
<u>3,533</u>	<u>2,358</u>
<u>\$ 62,342</u>	<u>\$ 20,549</u>
\$ 5,043	\$ 1,457
386	111
-	200
24,369	5,631
<u>35</u>	<u>165</u>
<u>\$ 29,833</u>	<u>\$ 7,564</u>
\$ 2,205	\$ 695
<u>233</u>	<u>(15)</u>
<u>\$ 2,438</u>	<u>\$ 680</u>
<u>\$ 294,975</u>	<u>\$ 173,964</u>
<u>\$ 4,930</u>	<u>\$ 20,070</u>
\$ 280	\$ (120)
<u>21</u>	<u>(8)</u>
<u>\$ 301</u>	<u>\$ (128)</u>

ZEELAND CHARTER TOWNSHIP
OTTAWA COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL (CONTINUED)
GENERAL FUND
YEAR ENDED DECEMBER 31, 2005

	<u>Original Budget</u>	<u>Final Amended Budget</u>
EXPENDITURES (CONTINUED)		
PUBLIC WORKS (CONTINUED)		
Street Lighting		
Utilities	\$ 22,600	\$ 22,600
Water and Sewer Engineering	\$ 49,000	\$ 74,000
Bike Paths	\$ 8,000	\$ 8,000
Black Creek Watershed	\$ 7,300	\$ 7,300
TOTAL PUBLIC WORKS	\$ 112,073	\$ 137,073
PARKS AND RECREATION		
Parks and Recreation	\$ -	\$ -
Library	50,000	50,000
TOTAL PARKS AND RECREATION	\$ 50,000	\$ 50,000
CAPITAL OUTLAY		
General Government		
Township hall and grounds	\$ 32,000	\$ 39,000
Cemetery	50,250	50,250
Public Works		
Bike paths	84,000	84,000
Parks and Recreation	30,000	145,000
TOTAL CAPITAL OUTLAY	\$ 196,250	\$ 318,250
TOTAL EXPENDITURES	\$ 1,408,804	\$ 1,523,804
EXCESS OF REVENUES OVER EXPENDITURES	\$ 505,000	\$ 390,000

<u>Actual</u>	<u>Variance</u>
\$ 21,499	\$ 1,101
\$ 43,440	\$ 30,560
\$ 7,944	\$ 56
\$ -	\$ 7,300
\$ 78,114	\$ 58,959
\$ 4,950	\$ (4,950)
50,000	-
\$ 54,950	\$ (4,950)
\$ 38,839	\$ 161
-	50,250
62,758	21,242
228,663	(83,663)
\$ 330,260	\$ (12,010)
\$ 1,219,784	\$ 304,020
\$ 971,835	\$ 581,835

ZEELAND CHARTER TOWNSHIP
 OTTAWA COUNTY, MICHIGAN
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
 BUDGET AND ACTUAL (CONTINUED)
 GENERAL FUND
 YEAR ENDED DECEMBER 31, 2005

	Original Budget	Final Amended Budget
OTHER FINANCING USES		
Transfers, net	\$ (505,000)	\$ (505,000)
TOTAL OTHER FINANCING USES	\$ (505,000)	\$ (505,000)
NET CHANGE IN FUND BALANCE	\$ -	\$ (115,000)
FUND BALANCE - JANUARY 1, 2005	<u>2,614,783</u>	<u>2,614,783</u>
FUND BALANCE - DECEMBER 31, 2005	<u>\$ 2,614,783</u>	<u>\$ 2,499,783</u>

<u>Actual</u>	<u>Variance</u>
\$ (504,200)	\$ 800
\$ (504,200)	\$ 800
\$ 467,635	\$ 582,635
<u>2,614,783</u>	<u>-</u>
<u>\$ 3,082,418</u>	<u>\$ 582,635</u>

ZEELAND CHARTER TOWNSHIP
OTTAWA COUNTY, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
ROAD FUND
YEAR ENDED DECEMBER 31, 2005

	Original <u>Budget</u>	Final Amended <u>Budget</u>
REVENUES		
Taxes	\$ 527,354	\$ 527,354
Charges for services	-	-
Investment income	<u>10,000</u>	<u>10,000</u>
TOTAL REVENUES	<u>\$ 537,354</u>	<u>\$ 537,354</u>
EXPENDITURES		
Public Works		
Dust control	\$ 28,000	\$ 28,000
Road improvements	<u>659,354</u>	<u>659,354</u>
TOTAL EXPENDITURES	<u>\$ 687,354</u>	<u>\$ 687,354</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>\$ (150,000)</u>	<u>\$ (150,000)</u>
OTHER FINANCING SOURCE		
Transfers in	<u>\$ 150,000</u>	<u>\$ 150,000</u>
TOTAL OTHER FINANCING SOURCES	<u>\$ 150,000</u>	<u>\$ 150,000</u>
NET CHANGE IN FUND BALANCE	\$ -	\$ -
FUND BALANCE - JANUARY 1, 2005	<u>132,841</u>	<u>132,841</u>
FUND BALANCE - DECEMBER 31, 2005	<u><u>\$ 132,841</u></u>	<u><u>\$ 132,841</u></u>

<u>Actual</u>	<u>Variance</u>
\$ 532,272	\$ 4,918
946	946
<u>14,034</u>	<u>4,034</u>
<u>\$ 547,252</u>	<u>\$ 9,898</u>
\$ 22,950	\$ 5,050
<u>382,442</u>	<u>276,912</u>
<u>\$ 405,392</u>	<u>\$ 281,962</u>
<u>\$ 141,860</u>	<u>\$ 291,860</u>
<u>\$ 150,000</u>	<u>\$ -</u>
<u>\$ 150,000</u>	<u>\$ -</u>
\$ 291,860	\$ 291,860
<u>132,841</u>	<u>-</u>
<u>\$ 424,701</u>	<u>\$ 291,860</u>

ADDITIONAL INFORMATION

ZEELAND CHARTER TOWNSHIP
OTTAWA COUNTY, MICHIGAN
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2005

	Special Revenue <u>Fund</u>	Debt Service <u>Fund</u>	Total Non-Major Governmental <u>Funds</u>
	<u>Fire</u>	Adams Street Sewer <u>Bond</u>	
ASSETS			
Cash			
Designated	\$ 71,837	\$ -	\$ 71,837
Unreserved	329,872	240,790	570,662
Assessments receivable	-	22,950	22,950
Due from other funds	416	1,578	1,994
Prepaid insurance	<u>10,795</u>	<u>-</u>	<u>10,795</u>
TOTAL ASSETS	<u>\$ 412,920</u>	<u>\$ 265,318</u>	<u>\$ 678,238</u>
LIABILITIES			
Accounts payable	\$ 13,256	\$ 3,871	\$ 17,127
Deferred revenue	134,255	22,950	157,205
Due to other funds	<u>-</u>	<u>80,000</u>	<u>80,000</u>
TOTAL LIABILITIES	<u>\$ 147,511</u>	<u>\$ 106,821</u>	<u>\$ 254,332</u>
FUND BALANCES			
Designated	\$ 71,837	\$ -	\$ 71,837
Unreserved	<u>193,572</u>	<u>158,497</u>	<u>352,069</u>
TOTAL FUND BALANCES	<u>\$ 265,409</u>	<u>\$ 158,497</u>	<u>\$ 423,906</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 412,920</u>	<u>\$ 265,318</u>	<u>\$ 678,238</u>

ZEELAND CHARTER TOWNSHIP
OTTAWA COUNTY, MICHIGAN
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2005

	Special Revenue <u>Fund</u>	<u>Debt Service Funds</u>		Total Non-Major Governmental <u>Funds</u>
	<u>Fire</u>	Water Ottogan <u>Bond</u>	Adams Street Sewer <u>Bond</u>	
REVENUES				
Taxes and special assessments	\$ 400,865	\$ 4,236	\$ 156,830	\$ 561,931
Investment income	8,712	1,057	4,838	14,607
Other revenue	<u>4,317</u>	<u>-</u>	<u>-</u>	<u>4,317</u>
TOTAL REVENUES	<u>\$ 413,894</u>	<u>\$ 5,293</u>	<u>\$ 161,668</u>	<u>\$ 580,855</u>
EXPENDITURES				
Public safety	\$ 233,654	\$ -	\$ -	\$ 233,654
Debt service				
Principal retirement	-	45,000	-	45,000
Interest and other charges	-	17,335	108,974	126,309
Capital outlay	<u>9,323</u>	<u>-</u>	<u>-</u>	<u>9,323</u>
TOTAL EXPENDITURES	<u>\$ 242,977</u>	<u>\$ 62,335</u>	<u>\$ 108,974</u>	<u>\$ 414,286</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>\$ 170,917</u>	<u>\$ (57,042)</u>	<u>\$ 52,694</u>	<u>\$ 166,569</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	\$ -	\$ 57,000	\$ -	\$ 57,000
Transfers out	<u>-</u>	<u>(2,598)</u>	<u>-</u>	<u>(2,598)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ -</u>	<u>\$ 54,402</u>	<u>\$ -</u>	<u>\$ 54,402</u>
NET CHANGE IN FUND BALANCES	\$ 170,917	\$ (2,640)	\$ 52,694	\$ 220,971
FUND BALANCES - JANUARY 1, 2005	<u>94,492</u>	<u>2,640</u>	<u>105,803</u>	<u>202,935</u>
FUND BALANCES - DECEMBER 31, 2005	<u>\$ 265,409</u>	<u>\$ -</u>	<u>\$ 158,497</u>	<u>\$ 423,906</u>

March 10, 2006

Township Board
Zeeland Charter Township
Ottawa County, Michigan

Board Members:

Thank you for the opportunity to be of service to you in performing an audit of the financial statements of Zeeland Charter Township for the year ended December 31, 2005.

In planning and performing our audit of the financial statements of Zeeland Charter Township, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention that relate to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect Zeeland Charter Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

We also noted certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated March 10, 2006 on the financial statements of Zeeland Charter Township. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendation. Our comments are summarized as follows:

Reportable Conditions

Disbursement Process

Condition: The Township Clerk prepared checks, signed for the first signature, and signed the Township Treasurer's signature for the second signature requirement on a series of checks in the General Fund. The Township Clerk is also the only official that reviews bank statements, prepares the bank reconciliations, and controls the custody of the returned checks.

Criteria: Standards for internal control for local units of government lists control activities as one of the five components of internal control. Control activities occur at all levels and include a wide range of diverse activities such as approvals, authorizations, verifications, reconciliations, and performance reviews. According to the standards of internal control, check signing (authorization) should be independent of the check preparation function. Also, an independent review of the bank reconciliations should be performed by a responsible official including the examination of returned cancelled checks for authorized signatures, irregularities and alterations.

Recommendation: The Township has an internal control procedure in place to have the Township Treasurer act as the second signatory on disbursements; the override of this control by the Township Clerk needs to be addressed by management. We recommend that a person, other than the Township Clerk, should perform an independent review of the unopened bank statements, including an examination of the returned cancelled checks.

Other Comments and Recommendations

Payroll Reporting

Condition: The Township Clerk prepares all the employee and trustee payroll checks, payroll tax returns and annual W-2 and W-3 tax filings with the IRS. During our reconciliation of the Township's taxable wages to all salary and meeting accounts in the general ledger, we noted that the paid time for meetings is not consistently being reported to the IRS.

Criteria: All compensation to employees is required to be reported on form W-2 and filed with the IRS. If the Township pays for non-employee compensation >\$600, a form 1099 is required to be filed with the IRS.

Recommendation: All paid meetings need to be processed and reported consistently and correctly in accordance with IRS guidelines. If an elected official or employee is paid for meetings, all compensation should be reported on their W-2. If a non-employee receives compensation for a meeting and the annual amount is >\$600, the compensation should be reported on a 1099.

Special Assessment Receivable

Condition: The Township utilizes a computer database program to track water and sewer special assessments that can generate reports showing ending receivable balances at year end, cash receipts for the year and new assessments for the year. While reconciling these three reports during our audit, we discovered a few data entry errors; while the ending receivable balance was correct, the method of entering the data resulted in errors on the cash receipt and new assessment reports.

Recommendation: We recommend that the staff assigned to entering data perform reconciliations similar to our audit procedures at least quarterly during the year. The ending balance from the previous period plus new assessments less cash receipts equal the current period ending balance. This simple reconciliation will alert the staff to data entry errors, especially those that occur at or near year end.

Tax Warrant

Condition: The Industrial Facilities Roll for the 2004 tax year incorrectly reported the Fire and Road millage for the Township as the opposite amount (Road was reported as the Fire millage and the Fire millage was reported as the Road millage). The correct amount of tax was transferred to the respective funds despite the error on the IFT roll.

Recommendation: The Township should alert the assessor of the error on the warrant, so that the millage is properly presented and consistent with the 50% reduction in rate applied to the industrial facilities' taxable value.

Legal Compliance – Budgeting and Fund Deficits

Condition: The Township periodically amends the General Fund budget after over-expenditures have occurred.

Criteria: The Uniform Budgeting and Accounting Act, P.A. 2 of 1968 as amended, provides that a local governmental unit shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the Township's over appropriated expenditures are disclosed. It is required that the Township amend the budget prior to incurring the expenditure.

Recommendation: We recommend the Township Clerk and the Board review the line item budget prior to the approval of the invoices in order to avoid over appropriating. If expenditures will cause an over appropriation, a budget amendment can be proposed to the Board.

Condition: The Township's Water Capital Improvement Fund ended the year with a deficit in the fund balance.

Criteria: Public Act 275 of 1980 requires municipalities to keep unreserved fund balances in all governmental funds. If the municipality ends a fiscal year in an unreserved fund balance deficit, they must file a deficit elimination plan with the Local Audit and Finance Division of the State of Michigan Treasury Department.

Recommendation: We recommend that management promptly file a letter with the Local Audit and Finance Division describing their effort to eliminate the deficit in the current fiscal year.

We believe that implementation of these recommendations will provide the Township with a stronger system of internal accounting control while also making its operations more efficient. We will be happy to discuss the details of these recommendations with you and assist in any way possible with their implementation. This report is intended solely for the information and use of the Township Board and management and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

FERRIS, BUSSCHER & ZWIERS, P.C.


James L. Zwiers, C.P.A., M.B.A.

JLZ\kc